

**UNITED STATES DISTRICT COURT
DISTRICT OF MAINE**

BAYCHAR, INC., ET AL.,)	
)	
PLAINTIFFS)	
)	
v.)	CIVIL No. 04-136-B-H
)	
SALOMON/NORTH AMERICA,)	
INC.,)	
)	
DEFENDANT)	

ORDER TO SHOW CAUSE

The Magistrate Judge and the District Judge who were previously assigned to this case granted the defendant Salomon/North America, Inc. (“Salomon”)’s Motions for Summary Judgment (Docket Items 51, 53) on the plaintiffs Baychar, Inc. and Baychar Holdings, LLC (“Baychar”)’s complaint. Since the motions for summary judgment did not address counterclaims that Salomon had filed against Baychar, the summary judgment rulings did not dispose of the counterclaims. Now, after an unusual procedural course,¹ the case comes before me. Salomon has moved for Judgment on the Pleadings or, Alternatively, for Summary Judgment on Counterclaims (“Mot.”) (Docket Item 148).² This Order to Show Cause requests further clarification from both parties.

¹ For a brief description of the procedural posture of this case, see Order on Plaintiff’s Motion for Relief from Judgment (Docket Item 146).

² Because Salomon has incorporated by reference the summary judgment pleadings previously filed, I will treat this as a Rule 56 motion for summary judgment.

ANALYSIS

On November 6, 2006, District Judge Carter granted summary judgment in Salomon's favor on Baychar's claim of patent infringement. He approved the Magistrate Judge's conclusion that the record did not generate a trialworthy issue of infringement. Order Affirming the Recommended Dec. of the Magistrate Judge ("Carter Order") (Docket Item 101); Recommended Dec. on Defendant's Mot. for Summ. J. Asserting Patent Invalidity and Non-Infringement ("Recommended Decision") at 1 (Docket Item 94). He also approved the Magistrate Judge's conclusion that Salomon had an implied license to make the accused products even if they infringe the patent. Pursuant to the Magistrates Judge's recommendation, he dismissed as moot Salomon's Motion for Summary Judgment on Anticipation (Docket Item 37) and Motion for Summary Judgment on Obviousness (Docket Item 49). Carter Order at 2. Thus, neither the Magistrate Judge nor Judge Carter ruled on the patent's underlying validity. Recommended Dec. at 1; Carter Order.

Although Judge Carter's Order did dispose of Baychar's complaint, it did not address Salomon's counterclaims. To a large extent, they mirror the affirmative defenses and motions for summary judgment. Def.'s Answer & Counterclaims ("Counterclaims") at 5-7 (Docket Item 11). The counterclaims seek a declaration that the "'810 patent is invalid, unenforceable, and not infringed (directly or indirectly) by Salomon/North America." Counterclaims at 7. Salomon argues that because Judge Carter ruled in favor of the affirmative defense of non-infringement,

summary judgment on the counterclaim of non-infringement logically follows.³ In an order to show cause entered today in the companion case, Baychar v. The Burton Corp., et. al. (“The Burton Case”), I stated that I was likely to accept this argument so far as it relates to claim 8 of the patent, but not the entire patent. See Order to Show Cause, 1:04-cv-144 (“Burton Order to Show Cause”) (Docket Item 190) (ordering the defendant to show cause why I should not limit summary judgment on the counterclaims to deal solely with claim 8, not the ‘810 patent generally). With respect to the patent infringement counterclaim, the issues and arguments in that case are identical to this one.

Salomon’s case has one significant wrinkle, however, that distinguishes it from its companion case. In the Burton Case, Judge Carter ruled that the patent was invalid due to anticipation, but, in this case, he dismissed the invalidity counterclaims as moot. Salomon argues that “[t]he invalidity arguments based on anticipation presented in this case and the Burton case were the same [and [a]s a result, the Court’s summary judgment of invalidity in the Burton case should be adopted in this case.” Mot. at 2. Baychar responds by saying that this is essentially offensive collateral estoppel, and “the most obvious stumbling block [for an estoppel argument] is the absence of a binding final judgment [in the Burton Case].” Opp’n at 2. In reply, Salomon admits as much, and urges the court to order final judgment in the Burton Case, arguing that “there will then be a final judgment that will have collateral effect in this case.” Salomon’s Reply in

³ The parties agree that the inequitable conduct counterclaim should be dismissed as moot without prejudice. Mot. at 3; Pls.’ Mem. in Opp’n to Def. Salomon/North America, Inc.’s Mot. for J. on the Pleadings, or, Alternatively, Mot. for Summ. J. (“Opp’n”) at 1 (Docket Item 150).

Support of Mot. for J. on the Pleadings, or, Alternatively, For Summ. J. (“Reply”) at 1 (Docket Item 151). Baychar has had no opportunity to respond to this argument.

Accordingly, I **ORDER** Baychar to show cause by September 5, 2007, why I should not enter summary judgment on behalf of Salomon on the invalidity counterclaim if and when I grant summary judgment on the counterclaims in the Burton Case, assuming it results in a final judgment.⁴ Furthermore, as explained in the Order to Show Cause in the Burton case, Salomon shall show cause by September 5, 2007, why I should not limit summary judgment on the counterclaims as to invalidity and non-infringement solely to deal with claim 8, not the ‘810 patent generally. Any responses shall be filed by September 15, 2007.

SO ORDERED.

DATED THIS 22ND DAY OF AUGUST, 2007

/s/D. BROCK HORNBY
D. BROCK HORNBY
UNITED STATES DISTRICT JUDGE

⁴ As I note in the Burton Order to Show Cause, I am inclined to grant summary judgment on the counterclaims in favor of the defendant in that case, but only to deal with claim 8 of the patent, not the patent generally. If the defendant does not limit the scope of declaratory relief to claim 8, an entry of final judgment in that case may not be imminent. Burton Order to Show Cause at 5.

**U.S. DISTRICT COURT
DISTRICT OF MAINE (BANGOR)
CIVIL DOCKET FOR CASE #: 1:04cv136 (DBH)**

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and

Baychar Holdings, LLC

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